

The American Recovery and Reinvestment Act

The Federal Administration is taking actions to make a big dent in the small business credit crunch by offering new incentives to small business borrowers and lenders through the American Recovery and Reinvestment Act and Department of Treasury actions.

With tax incentives and steps to encourage lending, the Recovery Act recognizes that small businesses are part of the solution to getting our economy moving again. The bill's primary goals for the U.S. Small Business Administration are jump-starting job creation, re-starting lending, and promoting investment in small businesses.

The Recovery Act provides entrepreneurs and lenders financial relief from the current economic crisis that will help encourage borrowing and lending to all small businesses, including start-ups.

Included in the Recovery Act:

- Temporarily eliminates SBA guaranteed 7 (a) and 504 loan fees and offers tax credits to small business owners.
- Temporarily eliminates 504 loan fees to lenders.
- Fee eliminations are retroactive to February 17, 2009
- Supports guarantees of up to 90% on most types of 7(a) loans
- Up to \$15 billion in TARP funds will be used to help unfreeze the small business lending market, benefiting small lenders
- The Treasury will purchase existing and new SBA-backed loans made by banks, freeing up more capital so these banks can restart SBA-backed lending to local small businesses
- Authorizes the SBA to
 - use its 504 program to refinance existing loans for fixed assets as a part of a business expansion project
 - use its guarantee authority to establish a secondary market for bank loans made under the 504 loan program and
 - to make loans to broker-dealers to buy SBA-backed loans from lenders and pool them for sale to investors on the secondary loan market
- Small businesses that need surety bonds to compete for construction and service contracts can qualify for SBA-backed surety bonds of up to \$5 million
- Microloan programs, which are non-profit, community-based lenders, have an additional \$50 million to make new loans of up to \$35,000 to small businesses and start ups.
- America's Recovery Capital or ARC Stabilization Loans, a temporary program, offers deferred payment loans of up to \$35,000 to viable small businesses that need help making payments on an existing, qualifying loan for up to six months. These loans are 100% guaranteed by SBA.
- Helps SBA-licensed Small Business Investment Companies by raising the level of SBA funding they can receive to make venture capital investments in small businesses. It also raises the percentage of their investments that must be made in smaller businesses from 20 percent to 25 percent.

For more information on the American Recovery and Reinvestment Act, contact your local SBA office in San Antonio at 210.403.5900 or contact your local congressman's office.